

**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable James D. Trimble, Menifee County Judge/Executive  
Honorable Rodney L. Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Menifee County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Menifee County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2002**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY 40299  
Telephone (502) 499-9088  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MENIFEE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2002**

Ross and Company, PLLC has completed the Menifee County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$9,604 from the prior calendar year, resulting in excess fees of \$18,165 as of December 31, 2002. Revenues increased by \$39,724 from the prior year and disbursements increased by \$30,120.

#### **Report Comments:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Has A Lack Of Adequate Segregation Of Duties
- Good Bookkeeping Practices Should Be Maintained
- The Sheriff Should Publish His Annual Settlement

#### **Deposits:**

As of December 10, 2002, the County Sheriff's deposits were uninsured and uncollateralized by bank securities or bonds by \$39,096.





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Honorable Rodney L. Coffey, Menifee County Sheriff

Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Menifee County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued a report dated July 23, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable James D. Trimble, Menifee County Judge/Executive  
Honorable Rodney L. Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Has A Lack Of Adequate Segregation Of Duties
- Good Bookkeeping Practices Should Be Maintained
- The Sheriff Should Publish His Annual Settlement

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -  
July 23, 2003

MENIFEE COUNTY  
 RODNEY L. COFFEY, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		\$	6,000
State Fees For Services:			
Finance and Administration Cabinet	\$	64,847	
Cabinet for Human Resources		<u>352</u>	65,199
Circuit Court Clerk:			
Sheriff Security Service	\$	1,979	
Fines and Fees Collected		<u>1,600</u>	3,579
County Clerk - Delinquent Taxes			2,540
Commission On Taxes Collected			
Commission on Taxes Collected	\$	33,406	
Commission Receivables		<u>4,339</u>	37,745
Fees Collected For Services:			
Auto Inspections	\$	1,765	
Accident and Police Reports		123	
Serving Papers		6,395	
Penalties on Tax Collections		5,681	
Carrying Concealed Deadly Weapon Permits		<u>2,535</u>	16,499
Other:			
Miscellaneous			814
Interest Earned			<u>347</u>
Total Receipts		\$	132,723

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
 RODNEY L. COFFEY, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	43,942
Employee Benefits-		
Employer's Share Social Security	\$	3,166
Employer's Share Retirement		965
		<u>4,131</u>
Contracted Services-		
Bookkeeping		600
Materials and Supplies-		
Office Materials and Supplies		4,288
Other Charges-		
Refunds	\$	1,945
Carrying Concealed Deadly Weapon Permits		1,840
		<u>3,785</u>
Total Disbursements	\$	<u>56,746</u>
Net Receipts	\$	75,977
Less: Statutory Maximum		<u>57,812</u>
Excess Fees	\$	18,165
Excess Fees Due County for 2002	\$	18,165
Payments to County Treasurer - February 14, 2003		<u>13,826</u>
Balance Due at Completion of Audit	\$	<u>4,339</u>

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

MENIFEE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2002  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 10, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$39,096 of public funds uninsured and unsecured. In addition, the Sheriff's did not have a written agreement with the depository institution securing the Sheriff's interest in the collateral.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 10, 2002.

	<u>Bank Balance</u>
FDIC insurance	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	476,965
Uncollateralized and uninsured	<u>39,096</u>
Total	<u>\$ 616,061</u>

Note 4. Federal Forest Service

The Menifee County Sheriff's Office entered into an agreement with the United States Department of Agriculture on October 22, 2001. This agreement states that the Sheriff shall designate deputies that will patrol the Daniel Boone National Forest campgrounds and other designated areas from April 1, 2002, and continue through September 30, 2002. The Sheriff received and expended \$6,000 as of December 31, 2002.



## COMMENTS AND RECOMMENDATIONS



MENIFEE COUNTY  
RODNEY L. COFFEY, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On December 10, 2002, \$39,096 of the Sheriff's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Sheriff should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the Sheriff enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*County Sheriff's Response:*

*None.*

Good Bookkeeping Practices Should Be Maintained

The Sheriff's receipts were not batched daily, checkout sheets were not prepared daily, and receipts were not posted to the receipts ledger. Technical Audit Bulletin #93-002, Section 4, requires the Sheriff to prepare checkout sheets daily, and reconcile checkout sheets with daily deposit totals. Receipts should be recorded to a ledger and deposited within three working days. We recommend that these practices be followed in the future. This comment was also in the prior year Exit Conference.

*County Sheriff's Response:*

*Will try to batch receipts and add to daily check out sheet.*

The Sheriff Should Publish His Annual Statement

The Sheriff's Annual Financial Statement was not published for calendar year 2002. KRS 424.220 requires the Sheriff publish his financial statement in a local newspaper within 60 days after the close of the calendar year. We recommend the Sheriff publish his financial statement annually in the future. This comment was also in the prior year Exit Conference.

*County Sheriff's Response:*

*None.*

MENIFEE COUNTY  
RODNEY L. COFFEY, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2002  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff Has A Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be difficult. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations. This comment was also included in the prior year Exit Conference.

*County Sheriff's Response:*

*Due to small staff size and a small budget.*

PRIOR YEAR:

- Good Bookkeeping Should Be Maintained
- The Sheriff Should Publish His Annual Financial Statement
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral and Enter Into A Written Agreement To Protect Deposits
- Lack Adequate Segregation Of Duties

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Members of the Menifee County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Menifee County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated July 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Menifee County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- Good Bookkeeping Practices Should Be Maintained
- The Sheriff Should Publish His Annual Settlement

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menifee County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -  
July 23, 2003



